No. 15-777

In the Supreme Court of the United States

SAMSUNG ELECTRONICS CO., LTD., ET AL., PETITIONERS

v.

APPLE INC.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR DELL INC., EBAY INC., FACEBOOK INC., GOOGLE INC., HP INC., HEWLETT PACKARD ENTERPRISE CO., NEWEGG INC., PEGASYSTEMS INC., AND VIZIO, INC., AS AMICI CURIAE SUPPORTING PETITIONERS

KANNON K. SHANMUGAM
Counsel of Record
DAVID M. KRINSKY
ALLISON B. JONES
WILLIAMS & CONNOLLY LLP
725 Twelfth Street, N.W.
Washington, DC 20005
(202) 434-5000
kshanmugam@wc.com

TABLE OF CONTENTS

Page

Interest of amici curiae 1

Summary of argument 2

Argument 5

I. The Federal Circuit's decision is erroneous and out of step with modern technology 5

A. Modern technological products are highly complex and consist of numerous components and software subsystems 5

B. Section 289 envisions awarding total profit only on designs of relatively simple products 9

II. A narrow interpretation of the phrase 'article of manufacture' best serves the purpose of Section 289 and the public interest 13

A. A narrow interpretation of 'article of manufacture' best serves the purpose of Section 289 13

B. A narrow interpretation of 'article of manufacture' best serves the public interest 15

Conclusion 20

TABLE OF AUTHORITIES

Page

Cases:

Bergstrom v. *Sears, Roebuck & Co.*, 496 F. Supp. 476 (D. Minn. 1980) 11

Bush & Lane Piano Co. v. *Becker Bros.*, 222 F 902 (2d Cir. 1915) 11, 12

Bush & Lane Piano Co. v. *Becker Bros.*, 234 F. 79 (2d Cir. 1916) 11

Catalina Lighting, Inc. v. *Lamps Plus, Inc.*, 295 F.3d 1277 (Fed. Cir. 2002) 11

Commil USA, LLC v. *Cisco Systems, Inc.*, 135 S. Ct. 1920 (2015) 19

Page

Cases—continued:

Dobson v. *Dornan*, 118 U.S. 10 (1886) 9
Dobson v. *Hartford Carpet Co.*, 114 U.S. 439 (1885) 9
eBay Inc. v. *Mercexchange, L.L.C.*, 547 U.S. 388 (2006) 19
Gorham Co. v. *White*, 81 U.S. 511 (1871) 11
Henry Hanger & Display Fixture Corp. v. *Sel-O-Rak Corp.*, 270 F.2d 635 (5th Cir. 1959) 11
Intellectual Capital Consulting, Ltd. v. *Hyundai Motor Co.*, Civ. No. 15-917 (E.D. Tex.) 17
LaserDynamics, Inc. v. *Quanta Computer, Inc.*, 694 F.3d 51 (Fed. Cir. 2012) 14
Rite-Hite Corp. v. *Kelley Co.*, 56 F.3d 1538 (Fed. Cir. 1995) 15
Schnadig Corp. v. *Gaines Manufacturing Co.*, 620 F.2d 1166 (6th Cir. 1980) 11
Uniloc USA, Inc. v. *Microsoft Corp.*, 632 F.3d 1292 (Fed. Cir. 2011) 14
Young v. *Grand Rapids Refrigerator Co.*, 268 F. 966 (6th Cir.1920) 12

Statutes:

35 U.S.C. 289 ..... *passim*
Act of Feb. 4, 1887, ch. 105, § 1, 24 Stat. 387 10

Miscellaneous:

James Bessen, *The Evidence Is In: Patent Trolls Do Hurt Innovation*, Harvard Business Review (Nov. 2014) <goo.gl/XJnWVT> 19
18 Cong. Rec. 834 (1887) 10
Braden Cox & Steve DelBianco, *Consumer Demand Drives Innovation and Integration in Desktop Computing*, Ass'n for Competitive Technology (June 2007) <http://goo.gl/4ocA7n> 9
The Different Parts of a Laptop Computer, ZKarlo Laptop Parts Blog (June 15, 2011) <goo.gl/0R6055> 6

Page

Miscellaneous—continued:

Federal Trade Commission, *The Evolving IP Marketplace* (2011) 13
H.R. Rep. No. 1966, 49th Cong., 2d Sess. (1886) 10
Brian C. Howard, Lex Machina, *2014 Patent Litigation Year in Review* (2015) <goo.gl/CqzkCP> 16
Peter Lee & Madhavi Sunder, *Design Patents: Law Without Design*, 17 Stan. Tech. L. Rev. 277 (2013) 17
Letter from Samuel K. Giles, Managing Director of Intellectual Capital Consulting, Ltd., to Gregory Lee, Samsung Telecommunications America, LLC (June 2, 2015) <goo.gl/CBkhHj> 17
David M. Marcus & Shawn K. Leppo, *Welcome Fallout from the Smartphone Wars: Federal Circuit Embraces Strong Protection of Design Patents*, Metropolitan Corporate Counsel (July 17, 2015) <goo.gl/V4MS1g> 16
V. Aslihan Nasir et al., *Factors Influencing Consumers' Laptop Purchases*, Sixth Global Conference on Business and Economics (Oct. 15-17, 2006) <goo.gl/nhi9OU> 8
Sal Nuzzo, *Florida Entrepreneurs Should Be Spared Design-Patent Follies: State Viewpoint*, Orlando Sentinel, Oct. 20, 2015, at A13 17
Office Action in *Ex Parte Reexamination* (Reexam Control No. 90/012,884, U.S.P.T.O. Aug. 5, 2015) 18
Abraham Pai, *Smart TV: Piece by Piece*, Samsung Tomorrow (Sept. 23, 2011) <goo.gl/5vvYWY> 5, 6
Patent and Trademark Office, *Design Patents Report (Covering Patents Granted Between 1990 and 2014)* <goo.gl/9PYKYr> 16
R&D Magazine, *2014 Global R&D Funding Forecast* (Dec. 2013) <goo.gl/7LIxBV> 8

Page

Miscellaneous—continued:

Jonathan Sallet, *The Creation of Value: The Value Circle and Evolving Market Structures*, 11 J. on Telecomm. & High Tech. L. 185 (2013) 9
S. Rep. No. 206, 49th Cong., 2d Sess. (1886) 10
Christopher Versace, *What Do Consumers Want in a New Smartphone?*, Forbes (Aug. 21, 2013) <goo.gl/CMG4j6> 8

In the Supreme Court of the United States

No. 15-777

SAMSUNG ELECTRONICS CO., LTD., ET AL., PETITIONERS

v.

APPLE INC.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR DELL INC., EBAY INC., FACEBOOK INC., GOOGLE INC., HP INC., HEWLETT PACKARD ENTERPRISE CO., NEWEGG INC., PEGASYSTEMS INC., AND VIZIO, INC., AS AMICI CURIAE SUPPORTING PETITIONERS

INTEREST OF AMICI CURIAE

Amici curiae are Dell Inc., eBay Inc., Facebook Inc., Google Inc., HP Inc., Hewlett Packard Enterprise Co., Newegg Inc., and VIZIO, Inc.* Amici are companies that

* Pursuant to Rule 37.6, amici affirm that no counsel for a party authored this brief in whole or in part and that no person other than amici or their counsel have made any monetary contributions intended to fund the preparation or submission of this brief. Pursuant to Rule 37.2, counsel of record for all parties received notice of ami-

develop, manufacture, and sell modern technological products, including computers, smartphones, operating systems, and online platforms, as well as the components, software, and services that support them.

This case presents a question of enormous practical importance to amici: namely, whether 35 U.S.C. 289 imposes damages in the amount of the total profit from any product that infringes a design patent, regardless of how complex the product is or which of its many components may infringe the design. In the decision below, the Federal Circuit held that the statute requires an award of total profit. That holding will have significant ramifications both for amici, which develop, manufacture, design, and sell complex, multicomponent technological products, and for the technology industry more generally. Accordingly, amici have a substantial interest in the question presented here.

SUMMARY OF ARGUMENT

In this closely watched case, the Federal Circuit upheld a jury's award of the entirety of Samsung's profits on smartphones that were found to have infringed three Apple design patents relating to a portion of the iPhone's outer shell and a single graphical-user-interface screen. Although the design patents covered only limited portions of those complex electronic devices, the court rejected Samsung's argument that damages must be limited to the profits made from those infringing features.

---

ci's intent to file this brief at least ten days before the due date. The parties have consented to the filing of this brief, and copies of their letters of consent are on file with the Clerk's Office. Counsel for amici has represented petitioners in other litigation, including litigation against respondent.

See Pet. App. 27a-29a. The court instead concluded that the relevant statute, 35 U.S.C. 289, "explicitly authorizes the award of total profit from the article of manufacture bearing the patented design," and that the entire smartphone was a single "article of manufacture." Pet. App. 28a-29a. The court based its conclusions on the fact that the "innards of Samsung's smartphones were not sold separately from their shells as distinct articles of manufacture to ordinary purchasers." *Id.* at 29a.

The Federal Circuit's decision is deeply flawed. If allowed to stand, it will lead to absurd results and have a devastating impact on companies, including amici, that spend billions of dollars annually on research and development for complex technological products and their components. As the petition for certiorari explains, the Federal Circuit's decision cannot be reconciled with the text, history, or purpose of Section 289 or with prior decisions from other courts of appeals. But it is also problematic because it ignores the reality of modern, multicomponent technological products. Those complex products, which have become the norm throughout the consumer electronics industry, are not purchased primarily based on the design of one or more isolated components.

To the contrary, consumers frequently consider the purchase of a multicomponent technological product as, in effect, the purchase of several individual components. For example, customers may purchase an iPhone in part because they wish to use the iCloud file-sharing application, or because they prefer the quality of its camera, or because they know that they can synchronize it with other Apple products—not simply because of the design of the iPhone's rectangular front face with rounded corners. That is why technology companies apply their research and development budgets to numerous aspects of

a multicomponent product, including its hardware, software, and services, and not just to its design.

In enacting Section 289 in the nineteenth century, Congress did not envision application of its rule to complex, twenty-first-century products that are assembled from a multitude of individual components, many of which may originate from different manufacturers. Congress passed Section 289 in response to a decision of this Court that awarded nominal damages for infringement of a design patent for carpets, a unitary article in which the design and the article are inseparable. Troubled by that decision, Congress sought to preserve the right to obtain damages for infringement of design patents for carpets and other similar, single-component articles such as oilcloths and wallpaper. Courts likewise focused on simple products such as ornamental spoons and fireplace grates—products that are nothing like the multicomponent technological products of today that distinguish themselves in the marketplace based on a cornucopia of different features. To the extent that courts considered multicomponent "articles of manufacture" in design-patent cases, they recognized the absurd results that would follow from applying a rigid "total profit" rule and declined to extend it to that context.

Consistent with the text, history, and purpose of Section 289, the better interpretation of "article of manufacture" is one that recognizes that complex, multicomponent technological products typically embody far more than one "article of manufacture" for purposes of the "total profit" rule. To the extent that total profit may ever be awarded from the proceeds of such products, patentees must demonstrate that the design of the infringing article drives nearly all of a consumer's demand for the product; otherwise, damages should be limited to the

profit attributable to the component "to which [the] design * * * has been applied." 35 U.S.C. 289.

Such an interpretation would also better serve the public interest. As predicted by numerous commentators, the Federal Circuit's decision has already prompted so-called "patent trolls" to threaten design-patent litigation against Samsung and its amici. Meanwhile, companies are applying for and obtaining record numbers of design patents, which are certain to be asserted at similarly growing rates. The ensuing litigation, and threats of litigation, will further undermine innovation and the research and development efforts of amici—a particularly troubling development in light of the spurious quality of many design patents. Amici therefore respectfully urge the Court to grant review and reverse the decision below.

ARGUMENT

I. THE FEDERAL CIRCUIT'S DECISION IS ERRONEOUS AND OUT OF STEP WITH MODERN TECHNOLOGY

A. Modern Technological Products Are Highly Complex And Consist Of Numerous Components And Software Subsystems

Complex, multicomponent products have become the norm in the modern consumer electronics industry. To take one example, a so-called "smart television" contains over 2,500 high-technology components. See Abraham Pai, *Smart TV: Piece by Piece*, Samsung Tomorrow (Sept. 23, 2011) <goo.gl/5vvYWY>. Those components include an outer casing, speakers, a liquid crystal display, a circuit board containing 1,200 semiconductors (including chips supporting wireless communication), a wall mount, a remotely controlled keyboard, a tuner, ports for connecting to other devices, graphics hardware, an oper-

ating system, and hundreds of software applications that may run on that system—including games, communication applications, and news applications. *Ibid.*

The components of a smart television may be covered by individual design patents for features such as the curvature of the wall mount, the look and feel of the keyboard, the design of the speakers, or even the shape of a single icon within an application. Despite containing numerous components, however, a smart television is sold to an ordinary consumer as a single, complete product. Under the Federal Circuit's reasoning, the manufacturer or seller of a smart television containing any single component that infringed any one design patent could be required to pay in damages its total profit on the entire television, no matter how insignificant the design of the infringing component was to that profit or to consumer demand.

Another example is a laptop computer. See *The Different Parts of a Laptop Computer*, ZKarlo Laptop Parts Blog (June 15, 2011) <goo.gl/0R6055>. Much like a smart television, the components of a laptop include an outer casing, speakers, a liquid crystal display, a circuit board containing hundreds of semiconductors (including chips supporting wireless communication), a keyboard, a trackpad, ports for connecting to other devices, graphics hardware, an operating system, and hundreds of applications that may run on that system. *Ibid.*

As with the smart television, the components of a laptop computer may also be covered by numerous design patents for features such as the sleekness of the laptop's outer casing, the look and feel of its keyboard or trackpad, the design of its speakers, or the display of drop-down menus in one of the laptop's many software applications. Again, despite containing numerous components, a laptop is sold to an ordinary consumer as a sin-

gle, complete product. And again, under the Federal Circuit's rule, the manufacturer or seller of a laptop containing a component that infringed any single design patent would be required to pay in damages its total profit on the entire laptop. That is so even if the design patent at issue concerned a minor component that did not drive consumer demand for the whole laptop, such as the shape of the laptop's trackpad.

Software products and online platforms face similar dangers. A design patent may cover the appearance of a single feature of a graphical user interface, such as the shape of an icon. That feature—a result of a few lines out of millions of computer code—may appear only during a particular use of the product, on one screen display among hundreds, and in circumstances that many customers never even see. But the Federal Circuit's decision could allow the owner of the design patent to receive all profits generated by the product or platform, even if the infringing element was insignificant to the user and it was instead the thousands of other features, implemented across the remainder of the software, that drove the demand generating those profits.

Software covered by a design patent may be part and parcel of a much larger product, making the award of total profit even more outlandish. For example, a navigation system is now a standard feature in many vehicles. That system, which appears on a display on the car's dashboard, constitutes only a small fraction of the vehicle's components. Assuming, however, that even a single screenshot of the navigation system's display was covered by a design patent, the Federal Circuit's rule would allow the patentee to extract the entire profit on the infringing car. That absurd result flows directly from the Federal Circuit's rule because a standard-feature navigation system is built into the car and is not

sold separately to "ordinary purchasers"—even if consumers may not have bought the car because they wanted a navigation system and certainly were not motivated to buy by the infringing design element. Pet. App. 29a.

As the above examples demonstrate, the Federal Circuit's decision is disconnected from the reality of modern technological products, and it attaches outsized significance to the design of individual components. Where complex technological products are involved, design is only one factor that contributes to consumer demand. For example, in a study of the factors that influence consumers' laptop purchasing decisions, design was ranked 21st out of 26 factors—behind functional qualities such as processor speed, memory capacity, and even the number of ports. See V. Aslihan Nasir et al., *Factors Influencing Consumers' Laptop Purchases*, Sixth Global Conference on Business and Economics 5 (Oct. 15-17, 2006) <goo.gl/nhi9OU>. So too in the smartphone context, consumers value numerous other qualities such as battery life, durability, and security. See Christopher Versace, *What Do Consumers Want in a New Smartphone?*, Forbes (Aug. 21, 2013) <goo.gl/CMG-4j6>. And it is beyond doubt that functionality is a major factor in consumers' choice of which software products and online platforms to use.

To state the obvious, the investment in research and development for information and communication technologies—currently estimated at $250 billion annually—extends well beyond design to include the hardware, software, and services that are incorporated into the technological products. See R&D Magazine, *2014 Global R&D Funding Forecast* 24 (Dec. 2013) <goo.gl/7LI-xBV>. The reason is simple: technology companies know that consumers want a product that works well, not simply one that looks good.

Consumer preferences exert influence over every component that is incorporated into modern technological prodcuts, even though those components may not be "sold separately" to the ordinary consumer. Pet. App. 29a. An ordinary consumer's demand for various components, in turn, drives the decisions of manufacturers to purchase those components. See Braden Cox & Steve DelBianco, *Consumer Demand Drives Innovation and Integration in Desktop Computing*, Ass'n for Competitive Technology (June 2007) <http://goo.gl/4ocA7n>. "[C]onsumers are demonstrating a desire to shape demand through their own insistence on mixing and matching products and product features," Jonathan Sallet, *The Creation of Value: The Value Circle and Evolving Market Structures*, 11 J. on Telecomm. & High Tech. L. 185, 190 (2013), and manufacturers are heeding that call.

The Federal Circuit's decision ignores all of the foregoing considerations and reduces the damages analysis to one question: was the feature that is covered by a design patent "sold separately [from the remainder of the product] as [a] distinct article[] of manufacture to ordinary purchasers"? Pet. App. 29a. If not, then the owner of a design patent is entitled to the full profits from the entire product, without any further inquiry into the importance of the infringing feature. That absurd result cannot be squared with the reality of modern, multicomponent technological products.

B. Section 289 Envisions Awarding Total Profit Only On Designs Of Relatively Simple Products

Congress adopted the "total profit" language in Section 289 in response to this Court's rulings in two nineteenth-century cases that awarded nominal damages of six cents for the infringement of design patents covering carpets. See *Dobson* v. *Dornan*, 118 U.S. 10 (1886); *Dob-*

son v. *Hartford Carpet Co.*, 114 U.S. 439 (1885). Concerned that the patent laws provided "no remedy" for design-patent infringement in the wake of those decisions, S. Rep. No. 206, 49th Cong., 2d Sess. 1 (1886), Congress passed a bill awarding the "infringer's entire profit on the article," H.R. Rep. No. 1966, 49th Cong., 2d Sess. 3 (1886); see Act of Feb. 4, 1887, ch. 105, § 1, 24 Stat. 387. That bill was premised on the assumption that "it is the design that sells the article," and that the design, as the primary feature of the article, is the only thing that "makes it possible to realize any profit at all." H.R. Rep. No. 1966, *supra*, at 3.

The 1886 Congress did not have complex, multicomponent products in mind—much less products incorporating modern technologies. Indeed, the available evidence suggests that Congress was not considering products with significant functional features at all. As explained in the House Report on the bill that became Section 289, "[s]o far as the *consumers* are concerned, the effect of design patent laws that are respected is to give them more beautiful carpets and wall-papers and oil-cloths." H.R. Rep. No. 1966, *supra*, at 3. The sponsor of the bill similarly noted that the statute would protect designs for "carpeting, oil-cloths, wall-paper, and things of that sort," and that the bill was introduced in response to "a great body of persons who are engaged in the manufacture of goods in which designs are the principal feature." 18 Cong. Rec. 834, 835 (1887) (statement of Rep. Martin). Of course, carpets, oilcloths, and wallpaper are relatively simple, single-component articles for which the design embodies virtually the whole article and is the primary factor driving sales.

The case law confirms that design patents largely involved relatively simple products that were defined by and purchased for their designs. The seminal decision in

which this Court articulated the standard for design-patent infringement involved, of all things, an ornamental spoon. See *Gorham Co.* v. *White*, 81 U.S. 511, 520-522 (1871). In other decisions, including those cited by the Federal Circuit, courts applied the "total profit" rule of Section 289 to simple products such as garment racks, fireplace grates, sofas, and lamps—products much like the carpets and oilcloths that motivated Congress when it originally enacted the rule. See *Catalina Lighting, Inc.* v. *Lamps Plus, Inc.*, 295 F.3d 1277, 1281 (Fed. Cir. 2002); *Schnadig Corp.* v. *Gaines Manufacturing Co.*, 620 F.2d 1166, 1167 (6th Cir. 1980); *Henry Hanger & Display Fixture Corp.* v. *Sel-O-Rak Corp.*, 270 F.2d 635, 638 (5th Cir. 1959); *Bergstrom* v. *Sears, Roebuck & Co.*, 496 F. Supp. 476, 480 (D. Minn. 1980).

By contrast, where courts have been faced with more complex, multicomponent products, they have exercised common sense and recognized that an award of total profit should not extend to components of the article that do not embody the design. For example, in *Bush & Lane Piano Co.* v. *Becker Bros.*, 222 F. 902 (1915) and 234 F. 79 (1916), the Second Circuit declined to award the total profit from a piano that included an infringing piano case. As the court put it, the patentee "did not invent a piano, but a piano case," 222 F. at 905, and the piano's instrument and case were distinct articles of manufacture. The court reasoned that the "article" from which total profit was awarded should depend on the "technical, mechanical, popular, and commercial" circumstances in a particular case. 234 F. at 81. Applying that approach, the court distinguished between profit from consumers' demand for "the piano mechanism, which pleased the ear," and for "the ornamented and infringing casing, which attracted the customer's eye." *Id.* at 82. The court recognized that this distinction ultimately

mattered in awarding "total profit" based on the only relevant article—the piano case.

In the decision below, the Federal Circuit attempted to distinguish *Bush & Lane Piano* on the ground that "the commercial practice in 1915" was such that "ordinary purchasers regarded a piano and a piano case as distinct articles of manufacture." Pet. App. 29a. But ordinary purchasers also view modern technological products as containing multiple "articles of manufacture" that are integrated into products based on their preferences. *See* p. 9, *supra*. Just as Samsung or Apple purchases the components and features of its smartphones from third parties based on consumers' preferences, and mixes and matches those components and features into its smartphone models based on those preferences, the defendant manufacturer in *Bush & Lane Piano* purchased the infringing piano cases from others before assembling them and selling them with pianos as whole units, again based on consumer preferences. See 222 F. at 904.

The court applied similar principles in another design-patent case that the Federal Circuit did not address in the decision below. In *Young* v. *Grand Rapids Refrigerator Co.*, 268 F. 966 (1920), the Sixth Circuit refused to award total profit on a refrigerator that incorporated an infringing door latch. Because it is readily apparent that the design of a latch does not permeate a refrigerator, "it [wa]s not seriously contended that all the profits from the refrigerator belonged to [the patentee]," and damages (the statutory minimum of $250) were awarded based on the profit derived from the latch alone. *Id.* at 967, 974.

II. A NARROW INTERPRETATION OF THE PHRASE 'ARTICLE OF MANUFACTURE' BEST SERVES THE PURPOSE OF SECTION 289 AND THE PUBLIC INTEREST

Applying the "total profit" rule to complex multicomponent products incorporating modern technologies would produce absurd consequences that Congress would not have intended. See pp. 5-8, *supra*. Awarding a design patentee the total profit from an infringer's product when the design covers only a relatively minor portion of the product is out of proportion with the significance of the design and out of touch with economic realities. See pp. 8-9, *supra*. Such disproportionate damages awards hinder innovation and "disrupt[] the ability of the market to allocate [research and development] resources to those areas most likely to generate the products most valued by consumers." Federal Trade Commission, *The Evolving IP Marketplace* 146 (2011). They also create an incentive for the prosecution of opportunistic lawsuits, as has already begun to occur.

A. A Narrow Interpretation Of 'Article Of Manufacture' Best Serves The Purpose Of Section 289

The correct way to interpret Section 289 is to read the phrase "article of manufacture," consistent with the legislative history, case law, and statutory text, to mean the component "to which [the] design * * * has been applied." 35 U.S.C. 289. Section 289 awards the "extent of [the infringer's] total profit" for "any article of manufacture to which such design * * * has been applied": that is, "the profit made from the infringement." Thus, where the application of the design permeates the entire product and drives nearly all of its demand—as with carpets, oilcloths, or ornamental spoons—the "article of manufacture" would be the whole product, and profit

from the whole product may be awarded. But where a design "has been applied" to only one portion of a multi-component product and does not drive demand for the entire product, the "article of manufacture" is rightly considered to be only the component to which the design applies, and only profit attributable to that component may be awarded.

Such an approach would have the added benefit of being congruent with the "entire market value" rule that the Federal Circuit has applied in determining whether the royalty base for reasonable royalty damages should extend to an entire multicomponent technology. Under that rule, a patentee may "assess damages based on the entire market value of the accused product only where the patented feature creates the basis for consumer demand or substantially create[s] the value of the component parts." *Uniloc USA, Inc.* v. *Microsoft Corp.*, 632 F.3d 1292, 1318 (Fed. Cir. 2011) (alteration in original) (internal quotation marks omitted). Otherwise, royalties are not based on the entire technology, but instead on the "smallest salable patent-practicing unit," which could be any number of components that constitute the technology. *LaserDynamics, Inc.* v. *Quanta Computer, Inc.*, 694 F.3d 51, 67 (Fed. Cir. 2012) (internal quotation marks omitted). Just as a "reasonable royalty" can be keyed to the component of a complex technology, so too can an award of "total profit" be tied to such a component.

Similar principles apply to the Federal Circuit's approach in awarding "lost profits" damages in the context of utility patents. A patentee can receive its lost profits to the extent it can show that the defendant's infringement of its patented feature caused the losses. Causation requires, among other things, a showing of "demand for the patented product" and "manufacturing and mar-

keting capability to exploit" that demand. *Rite-Hite Corp.* v. *Kelley Co.*, 56 F.3d 1538, 1545 (Fed. Cir. 1995) (en banc). Without such proof, the patentee cannot "prove entitlement to lost profits damages" and is limited to other forms of damages, such as a reasonable royalty. *Id.* at 1544-1545. If that principle were applied in the context of design patents, Apple could receive lost profits here only to the extent that it could show that it has sold fewer iPhones *because* Samsung sold smartphones that had a similar curvature or used a similar icon. Again, to the extent damages based on profits are available at all, they must be tied to the relevant components that influence consumer demand.

There is no dispute here that the designs at issue solely involved a portion of the smartphone's outer shell and a single graphical-user-interface screen, and it is not clear from the record in this case that those infringing designs are the reason consumers purchased the infringing Samsung devices at issue. A proper interpretation of Section 289 should focus on those components, not on the products as a whole, and the Federal Circuit erred in holding otherwise.

B. A Narrow Interpretation Of 'Article Of Manufacture' Best Serves The Public Interest

A narrow interpretation of "article of manufacture" is also necessary to reduce the risk of frivolous litigation in the design-patent context. If allowed to stand, the Federal Circuit's decision will create incentives for more such litigation, because any technology that somehow encompasses an infringing design—no matter how complex—could trigger the "total profit" rule and allow the patentee to obtain disgorgement of all profits from the purported infringer. That possibility will prompt litigation both from technology manufacturers and from so-

called "patent trolls," with significant detrimental consequences for the continued development of useful modern technological products.

As an initial matter, even aside from the effects of the Federal Circuit's ruling, design-patent litigation is bound to increase in frequency in light of the growing numbers of design patents granted in recent years. As reflected in the Patent and Trademark Office's annual report on design patents, those patents are being granted at a record clip. Of the approximately 400,000 design patents that have been granted in American history, around *two-thirds* have been granted since 2000. See Patent and Trademark Office, *Design Patents Report (Covering Patents Granted Between 1990 and 2014)* <goo.gl/9PY-KYr>.

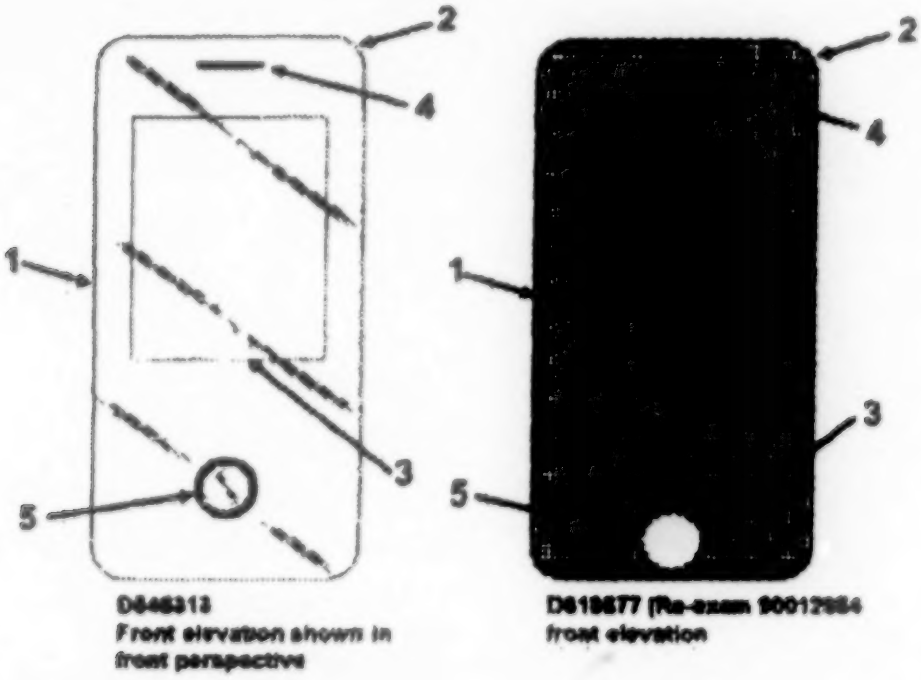
Given those numbers, it seems virtually certain that the rate of design-patent litigation will also increase. While fewer design patents are litigated than utility patents, "the filing of these cases has not seen the general downturn that cases with utility patents have." See Brian C. Howard, Lex Machina, *2014 Patent Litigation Year in Review* 12 (2015) <goo.gl/CqzkCP>. In the wake of the Federal Circuit's decision, commentators have suggested that there will be an "explosion" of design-patent litigation, particularly in view of "the relative ease, speed, and lower costs with which a design patent may be secured in comparison to a utility patent." David M. Marcus & Shawn K. Leppo, *Welcome Fallout from the Smartphone Wars: Federal Circuit Embraces Strong Protection of Design Patents*, Metropolitan Corporate Counsel 34 (July 17, 2015) <goo.gl/V4MS1g>. That is particularly true because "an award of infringers' profits by its nature does not require the patentee to be a producing entity, and the lure of profits may drive trial lawyers to work on contingency fees in hopes of a large set-

tlement." Sal Nuzzo, *Florida Entrepreneurs Should Be Spared Design-Patent Follies: State Viewpoint*, Orlando Sentinel, Oct. 20, 2015, at A13.

Indeed, after the Federal Circuit's decision in this case, at least one such "patent troll" sent a demand letter to Samsung, urging Samsung to take a license to its "extensive pending design patent portfolio" relating to designs for "smartwatch vehicular systems, related software and components thereof." Letter from Samuel K. Giles, Managing Director of Intellectual Capital Consulting, Ltd., to Gregory Lee, Samsung Telecommunications America, LLC (June 2, 2015) <goo.gl/CBkhHj>. The letter threatened that the Federal Circuit's decision "further solidified damages * * * for design patent infringement" and "will dramatically increase damages liability" for any infringement of the designs of such systems. *Ibid.* The threat apparently was not an idle one, because, on the same day the entity sent the letter, it filed two lawsuits against Samsung, LG, Sony, Lenovo, Motorola Mobility, and numerous automobile manufacturers on related utility patents. See Complaint, *Intellectual Capital Consulting, Ltd.* v. *Hyundai Motor Co.*, Civ. No. 15-917 (E.D. Tex. June 2, 2015). If such "patent trolls" are already gearing up to assert *pending* design patents in the wake of the Federal Circuit's decision, one can only imagine how much that activity will increase once more such patents are granted. And there can be no real doubt that grants will be forthcoming: it is well known that "design patents are * * * much faster and cheaper to obtain than utility patents," and the typical grant takes only 14 months. Peter Lee & Madhavi Sunder, *Design Patents: Law Without Design*, 17 Stan. Tech. L. Rev. 277, 283 (2013).

In addition to increasing the rate of design-patent litigation, the Federal Circuit's decision is also likely to re-

sult in a concomitant increase in the issuance of low-quality design patents that do not represent significant innovations in design. Indeed, Apple's patent for the design of the smartphone's outer shell—one of the very patents at issue here—was recently reexamined by the Patent and Trademark Office, which preliminarily determined that the design was anticipated and/or obvious, as illustrated by the prior-art design depicted to the left of the patented design below:



See Office Action in *Ex Parte Reexamination* (Reexam Control No. 90/012,884, U.S.P.T.O. Aug. 5, 2015), at 5. Whatever the degree of invention in Apple's design, this example amply illustrates that even design patents belonging to major technology companies may involve only minimal, if any, advances over the prior art. Design patents in the modern era are seldom directed to fashionable carpet designs or iconic Coca-Cola bottles; they are often sought, and issued, for relatively mundane design

features. If allowed to stand, the Federal Circuit's decision would encourage the procurement and assertion of more low-quality, marginally innovative design patents, in the hopes that those patents will be infringed by the latest smartphone, laptop, or other device.

What is more, the availability of disproportionate profits from accused infringers of design patents would reduce innovation. This Court has recognized that the activities of "patent trolls" "impose a harmful tax on innovation." *Commil USA, LLC* v. *Cisco Systems, Inc.*, 135 S. Ct. 1920, 1930 (2015) (internal quotation marks and citation omitted). If allowed to stand, the Federal Circuit's decision would provide design patentees with a cudgel that they can use as "a bargaining tool to charge exorbitant fees to companies that seek to buy licenses to practice the patent." *eBay Inc.* v. *Mercexchange, L.L.C.*, 547 U.S. 388, 396 (2006) (Kennedy, J., concurring). Those exorbitant fees, and the inevitable concomitant litigation costs, necessarily come out of the research and development budgets of technology companies, further hampering innovation. A recent study concluded that such fees and costs may reduce research and development spending in such companies by as much as 48%. See James Bessen, *The Evidence Is In: Patent Trolls Do Hurt Innovation*, Harvard Business Review (Nov. 2014) <goo.gl/XJnWVT>. Such a prospect is particularly troubling where, as here, "the patented invention is but a small component of the product the companies seek to produce." *eBay*, 547 U.S. at 396 (Kennedy, J., concurring).

All of the foregoing problems can be avoided by interpreting the phrase "article of manufacture" to mean the component of a complex product that is covered by the relevant design patent, rather than the entire product. Such an interpretation would rightly limit a patent-

ee's award under Section 289 to the amount of profit generated by the infringing component. And it would best accord with the statute's history and purpose, while serving the public interest in our twenty-first-century economy.

In all events, the question presented concerning the scope of design-patent damages is an incredibly important one not only to amici, but to the technology industry as a whole. The Federal Circuit erroneously answered that question, and this Court should grant review and reject the Federal Circuit's expansive approach.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

KANNON K. SHANMUGAM
DAVID M. KRINSKY
ALLISON B. JONES
WILLIAMS & CONNOLLY LLP
725 Twelfth Street, N.W.
Washington, DC 20005
(202) 434-5000
kshanmugam@wc.com

JANUARY 2016